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National Power & Light Company

TWO RECTOR STREET, NEW YORK

FINANCIAL STATEMENT

August 31, 1942

The information furnished, which is subject to periodic audit, is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended August 31		Twelve Months Ended August 31	
	1942	1941	1942	1941
INCOME:				
From Subsidiaries—Consolidated	$ 378,135	$ 596,814	$2,717,345	$5,699,861
Other	5,649	29,981	29,205	95,259
TOTAL INCOME	$ 383,784	$ 626,795	$2,746,550	$5,795,120
EXPENSES:				
Expenses, excluding Taxes	$ 92,063	$ 116,408	$ 348,804	$ 409,229
Federal Taxes	40,579	43,979	188,106	216,627
Other Taxes	7,441	7,208	29,735	30,484
TOTAL EXPENSES	$ 140,083	$ 167,595	$ 566,645	$ 656,340
NET OPERATING INCOME	$ 243,701	$ 459,200	$2,179,905	$5,138,780
INTEREST AND OTHER DEDUCTIONS FROM INCOME	3,675	73,900	83,851	824,149
NET INCOME	$ 240,026	$ 385,300	$2,096,054	$4,314,631

Summary of Earned Surplus

For the Twelve Months Ended August 31, 1942

EARNED SURPLUS, SEPTEMBER 1, 1941 (including $2,419,526.67 restricted as to dividends)	$ 4,114,677.39
ADD:	
Net income for the twelve months ended August 31, 1942	2,096,054.41
Excess of estimated amount in capital stock account, representing 79,920 shares of $6 preferred stock reacquired, over cost of 159,840 shares of Houston Lighting & Power Company common stock delivered in exchange therefore (less expenses applicable thereto, $231,281.64)	4,392,045.63
Miscellaneous adjustments	66.70
TOTAL	$10,602,844.13
DEDUCT:	
Call premiums and adjustment of amortization of debt discount and expense on redemption of debentures	$ 374,994.35
Additional loss from liquidation of Memphis Power & Light Company	12,892.22
Loss on subsidiary in process of liquidation	96,245.39
Adjustment of prior year Federal capital stock tax	45,500.00
Premium on Lancaster County Railway and Light Company 5% Collateral Trust Mortgage Gold Bonds reacquired	34,226.25
Miscellaneous adjustments	22.38
Dividend appropriations—$6 preferred stock	1,551,529.09
TOTAL	$ 2,115,409.68
EARNED SURPLUS, AUGUST 31, 1942 (all restricted as to common dividends, and $6,293,191.71 restricted as to preferred dividends)	$ 8,487,434.45

NOTES:

The notes on page 4 are integral parts of the above statements and should be considered in conjunction therewith.

For consolidated income of the Company and its subsidiaries see statement on page 3.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

Subsidiaries	Three Months Ended August 31		Twelve Months Ended August 31	
	1942	1941	1942	1941
Operating Revenues	$22,992,125	$21,240,108	$89,954,966	$83,065,627
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,830,673	$10,556,386	$43,364,224	$39,771,365
Direct Taxes:				
Federal	4,147,754	1,960,223	13,977,028	6,550,106
Other	1,458,937	1,398,217	5,528,543	5,362,920
Property Retirement Reserve Appropriations	1,640,088	1,663,729	6,638,206	6,293,115
Total Operating Revenue Deductions	$18,077,452	$15,578,555	$69,508,001	$57,977,506
Net Operating Revenues	$ 4,914,673	$ 5,661,553	$20,446,965	$25,088,121
Rent from Lease of Plants (Net)	4,133	838	15,353	4,995
Operating Income	$ 4,918,806	$ 5,662,391	$20,462,318	$25,093,116
Other Income	$ 34,992	$ 38,915	$ 119,246	$ 121,632
Other Income Deductions	10,894	15,020	48,002	61,302
Other Income (Net)	$ 24,098	$ 23,895	$ 71,244	$ 60,330
Gross Income	$ 4,942,904	$ 5,686,286	$20,533,562	$25,153,446
Interest to Public and Other Deductions	$ 2,381,560	$ 2,385,395	$ 9,540,508	$ 9,638,844
Less Interest charged to Construction	61,370	17,632	175,620	94,805
Net Interest to Public and Other Deductions	$ 2,320,190	$ 2,367,763	$ 9,364,888	$ 9,544,039
Balance	$ 2,622,714	$ 3,318,523	$11,168,674	$15,609,407
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,405,802	1,405,802	5,623,206	5,623,206
Balance	$ 1,216,912	$ 1,912,721	$ 5,545,468	$ 9,986,201
Portion applicable to Minority Interests	187,825	18	343,740	92
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,029,087	$ 1,912,703	$ 5,201,728	$ 9,986,109
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,029,087	$ 1,912,703	$ 5,201,728	$ 9,986,109
Other Income	5,649	29,981	29,205	95,259
Total	$ 1,034,736	$ 1,942,684	$ 5,230,933	$10,081,368
Expenses, excluding Taxes	$ 92,063	$ 116,408	$ 348,804	$ 409,229
Federal Taxes	40,579	43,979	188,106	216,627
Other Taxes	7,441	7,208	29,735	30,484
Total Expenses including Taxes	$ 140,083	$ 167,595	$ 566,645	$ 656,340
Balance before Interest and Other Deductions	$ 894,653	$ 1,775,089	$ 4,664,288	$ 9,425,028
Interest and Other Deductions	3,675	73,900	83,851	824,149
Balance Carried to Consolidated Earned Surplus	$ 890,978	$ 1,701,189	$ 4,580,437	$ 8,600,879

The notes on page 4 are integral parts of the above statement and should be considered in conjunction therewith.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of August 1942 and 1941

	1942	1941
Operating Revenues	$8,022,061	$7,295,696
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,756,158	$3,590,211
Direct Taxes:		
Federal	1,502,396	699,659
Other	514,688	476,024
Property Retirement Reserve Appropriations	549,606	613,890
Total Operating Revenue Deductions	$6,322,848	$5,379,784
Net Operating Revenues	$1,699,213	$1,915,912

Notes Relating to Comparative Statement of Consolidated Income on Pages 3 and 4

1. Provisions for Federal taxes for the three months ended August 31, 1942 include approximately $945,000 and for the twelve months ended August 31, 1942 include approximately $2,426,000, applicable to the eight months ended August 31, 1942, additional to the amounts required under the Revenue Act of 1941.

2. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by subsidiaries in 1939 and 1940. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the respective periods) additional provision of approximately $1,716,580 and $376,000 for taxes based upon income would have been required for the years 1941 and 1942, respectively.

3. The "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

National Power & Light Company

Notes Relating to Comparative Statement of Income and Summary of Earned Surplus on Page 2

In proceedings pending before the Federal Power Commission, Carolina Power & Light Company, a subsidiary of National Power & Light Company, has under consideration a reduction of approximately $18,600,000 in its plant account which if made, will affect surplus, capital and other accounts of that company. Pending final disposition of this matter, the effect upon the accounts of National Power & Light Company has not been determined.

In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that the Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the Comparative Statement of Income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Order of the Commission, as follows:

	Three Months Ended August 31		Twelve Months Ended August 31	
	1942	1941	1942	1941
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	$ 99,999.92	$ 549,999.56	$ 599,999.52
Pennsylvania Power & Light Company	None	None	366,419.63	3,100,473.75
Total	None	$ 99,999.92	$ 916,419.19	$3,700,473.27

On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan is subject to amendment and has not as yet been approved or disapproved by the Commission.

In accordance with the tentative plan and with the approval of stockholders voted at a special meeting held January 28, 1942, the common stock of Houston Lighting & Power Company, owned by National Power & Light Company, is being offered in exchange for the Company's $6 Preferred stock in the ratio of two shares for one to the extent of 90% of the $6 Preferred stock presented for such exchange. For each share of the preferred stock exchanged for two shares of the common stock, the capital stock account is reduced by the amount of $97.89 (the average estimated amount included in the capital stock account of National Power & Light Company in respect of each share of $6 Preferred stock), the Company's investment account is reduced $40.05 and its earned surplus account is increased by $57.84. The resulting increase in earned surplus is restricted as to common and preferred dividends pursuant to order of the Securities and Exchange Commission. At August 31, 1942, 79,920 shares of National Power & Light Company $6 Preferred stock had been accepted for exchange for 159,840 shares of Houston Lighting & Power Company common stock, with resulting reductions in investment account of $3,200,298.80 and in capital stock account of $7,823,626.07 and an addition to earned surplus of $4,392,045.63, after application thereto of expenses of $231,281.64.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK

FINANCIAL STATEMENT

July 31, 1942

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National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended July 31		Twelve Months Ended July 31	
	1942	1941	1942	1941
INCOME:				
From Subsidiaries—Consolidated	$ 438,139	$1,630,305	$2,763,157	$6,733,351
Other	6,253	30,325	30,009	119,023
TOTAL INCOME	$ 444,392	$1,660,630	$2,793,166	$6,852,374
EXPENSES:				
Expenses, excluding Taxes	$ 93,070	$ 116,191	$ 346,529	$ 400,085
Federal Taxes	47,599	38,543	190,024	218,294
Other Taxes	7,567	7,421	29,624	30,671
TOTAL EXPENSES	$ 148,236	$ 162,155	$ 566,177	$ 649,050
NET OPERATING INCOME	$ 296,156	$1,498,475	$2,226,989	$6,203,324
INTEREST AND OTHER DEDUCTIONS FROM INCOME	4,189	120,749	103,502	888,490
NET INCOME	$ 291,967	$1,377,726	$2,123,487	$5,314,834

Summary of Earned Surplus

For the Twelve Months Ended July 31, 1942

EARNED SURPLUS, AUGUST 1, 1941 (including $2,874,216.41 restricted as to dividends)		$ 3,834,631.39
ADD:		
Net income for the twelve months ended July 31, 1942		2,123,486.80
Excess of estimated amount in capital stock account, representing 75,575 shares of $6 preferred stock reacquired, over cost of 141,150 shares of Houston Lighting & Power Company common stock delivered in exchange therefore (less expenses applicable thereto, $200,768.32)		3,881,955.93
Profit from sale of investment		648,701.03
Miscellaneous adjustments		66.70
TOTAL		$10,488,841.85
DEDUCT:		
Call premiums and adjustment of amortization of debt discount and expense on redemption of debentures	$ 829,684.09	
Additional loss from liquidation of Memphis Power & Light Company	12,892.22	
Loss on subsidiary in process of liquidation	96,245.39	
Adjustment of prior year Federal capital stock tax	45,500.00	
Premium on Lancaster County Railway & Light Company 5% Collateral Trust Mortgage Gold Bonds reacquired	21,035.00	
Miscellaneous adjustments	22.38	
Dividend appropriations—$6 preferred stock	1,549,748.16	
TOTAL		$ 2,555,127.24
EARNED SURPLUS, JULY 31, 1942 (all restricted as to common dividends, and $5,796,293.26 restricted as to preferred dividends)		$ 7,933,714.61

NOTES:

The notes on page 4 are integral parts of the above statements and should be considered in conjunction therewith.

For consolidated income of the Company and its subsidiaries see statement on page 3.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

Subsidiaries	Three Months Ended July 31		Twelve Months Ended July 31	
	1942	1941	1942	1941
Operating Revenues	$22,283,835	$20,656,043	$89,228,601	$82,263,345
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,569,933	$10,333,832	$43,198,278	$39,251,671
Direct Taxes:				
Federal	3,864,280	1,859,591	13,174,292	6,126,005
Other	1,413,496	1,373,312	5,489,878	5,299,655
Property Retirement Reserve Appropriations	1,629,370	1,453,690	6,702,490	6,327,531
Total Operating Revenue Deductions	$17,477,079	$15,020,425	$68,564,938	$57,004,862
Net Operating Revenues	$ 4,806,756	$ 5,635,618	$20,663,663	$25,258,483
Rent from Lease of Plants (Net)	3,706	839	14,257	5,196
Operating Income	$ 4,810,462	$ 5,636,457	$20,677,920	$25,263,679
Other Income	$ 34,066	$ 37,916	$ 120,974	$ 122,886
Other Income Deductions	11,338	11,187	49,219	60,379
Other Income (Net)	$ 22,728	$ 26,729	$ 71,755	$ 62,507
Gross Income	$ 4,833,190	$ 5,663,186	$20,749,675	$25,326,186
Interest to Public and Other Deductions	$ 2,388,902	$ 2,391,429	$ 9,540,044	$ 9,647,262
Less Interest charged to Construction	60,327	28,488	161,073	90,150
Net Interest to Public and Other Deductions	$ 2,328,575	$ 2,362,941	$ 9,378,971	$ 9,557,112
Balance	$ 2,504,615	$ 3,300,245	$11,370,704	$15,769,074
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,405,802	1,405,802	5,623,206	5,623,206
Balance	$ 1,098,813	$ 1,894,443	$ 5,747,498	$10,145,868
Portion applicable to Minority Interests	148,884	18	250,179	95
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 949,929	$ 1,894,425	$ 5,497,319	$10,145,773
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 949,929	$ 1,894,425	$ 5,497,319	$10,145,773
Other Income	6,253	30,325	30,009	119,023
Total	$ 956,182	$ 1,924,750	$ 5,527,328	$10,264,796
Expenses, excluding Taxes	$ 93,070	$ 116,191	$ 346,529	$ 400,085
Federal Taxes	47,599	38,543	190,024	218,294
Other Taxes	7,567	7,421	29,624	30,671
Total Expenses including Taxes	$ 148,236	$ 162,155	$ 566,177	$ 649,050
Balance before Interest and Other Deductions	$ 807,946	$ 1,762,595	$ 4,961,151	$ 9,615,746
Interest and Other Deductions	4,189	120,749	103,502	888,490
Balance Carried to Consolidated Earned Surplus	$ 803,757	$ 1,641,846	$ 4,857,649	$ 8,727,256

The notes on page 4 are integral parts of the above statement and should be considered in conjunction therewith.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of July 1942 and 1941

	1942	1941
Operating Revenues	$7,601,051	$7,016,496
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,632,088	$3,506,593
Direct Taxes:		
Federal	1,337,814	628,954
Other	465,665	453,251
Property Retirement Reserve Appropriations	546,955	566,404
Total Operating Revenue Deductions	$5,982,522	$5,155,202
Net Operating Revenues	$1,618,529	$1,861,294

Notes Relating to Comparative Statement of Consolidated Income on Pages 3 and 4

1. Provisions for Federal taxes for the three months ended July 31, 1942 include approximately $885,000 and for the twelve months ended July 31, 1942 include approximately $2,077,000 applicable to the seven months ended July 31, 1942, additional to the amounts required under the Revenue Act of 1941.

2. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by subsidiaries in 1939 and 1940. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the respective periods) additional provision of approximately $1,777,556 and $471,000 for taxes based upon income would have been required for the years 1941 and 1942, respectively.

3. The "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

National Power & Light Company

Notes Relating to Comparative Statement of Income and Summary of Earned Surplus on Page 2

In proceedings pending before the Federal Power Commission, Carolina Power & Light Company, a subsidiary of National Power & Light Company, has under consideration a reduction of approximately $18,600,000 in its plant account which if made, will affect surplus, capital and other accounts of that company. Pending final disposition of this matter, the effect upon the accounts of National Power & Light Company has not been determined.

In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that the Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the Comparative Statement of Income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Order of the Commission, as follows:

	Three Months Ended July 31		Twelve Months Ended July 31	
	1942	1941	1942	1941
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	$ 99,999.92	$ 549,999.56	$ 599,999.52
Pennsylvania Power & Light Company	$ 46,976.88	1,033,491.25	366,419.63	4,133,965.00
Total	$ 46,976.88	$1,133,491.17	$ 916,419.19	$4,733,964.52

On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan is subject to amendment and has not as yet been approved or disapproved by the Commission.

In accordance with the tentative plan and with the approval of stockholders voted at a special meeting held January 28, 1942, the common stock of Houston Lighting & Power Company, owned by National Power & Light Company, is being offered in exchange for the Company's $6 Preferred stock in the ratio of two shares for one to the extent of 90% of the $6 Preferred stock presented for such exchange. For each share of the preferred stock exchanged for two shares of the common stock, the capital stock account is reduced by the amount of $97.89 (the average estimated amount included in the capital stock account of National Power & Light Company in respect of each share of $6 Preferred stock), the Company's investment account is reduced $40.05 and its earned surplus account is increased by $57.84. The resulting increase in earned surplus is restricted as to common and preferred dividends pursuant to order of the Securities and Exchange Commission. At July 31, 1942, 70,575 shares of National Power & Light Company $6 Preferred stock had been accepted for exchange for 141,150 shares of Houston Lighting & Power Company common stock, with resulting reductions in investment account of $2,826,089.69 and in capital stock account of $7,823,626.07 and an addition to earned surplus of $3,881,955.93, after application thereto of expenses of $200,768.32.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK

FINANCIAL STATEMENT

June 30, 1942

The information furnished is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Two Rector Street, New York

BOARD OF DIRECTORS

C. H. Achenbach	*New York*
J. K. Newman	*Johnsville, Pa.*
Paul H. Saunders	*New Orleans, La.*
P. B. Sawyer	*New York*
Alexander Simpson	*New York*
Raymond H. Smith	*New York*
Robert V. White	*Philadelphia, Pa.*

OFFICERS

P. B. Sawyer	*President*
Raymond H. Smith	*Vice-President*
Alexander Simpson	*Secretary and Treasurer*
C. H. Achenbach	*Assistant Secretary and Assistant Treasurer*

National Power & Light Company

(Incorporated in New Jersey)

Balance Sheet

June 30, 1942

Assets

Investment Securities and Advances—Subsidiaries and Minor Other Investments		$127,335,430.14
Current Assets:		
Cash in Banks—On Demand	$1,174,228.27	
Special Cash Deposits	318,086.39	
Accounts Receivable—Subsidiary	500.00	
Accrued Interest Receivable:		
Subsidiaries	4,555.44	
Others	8,852.07	
Dividends Receivable—Subsidiaries	144,782.70	
Other Current Assets	750.00	
Total Current Assets		1,651,754.87
Deferred Charges:		
Liquidation Account—Memphis Power & Light Company	$ 61,524.73	
Other	14,181.82	
Total Deferred Charges		75,706.55
Total		$129,062,891.56

Liabilities

Capital Stock (no par value):		
$7 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $6 Preferred; authorized, 9,063 shares; outstanding, none		$119,947,587.07
$6 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $7 Preferred; authorized, 500,000 shares; outstanding, 219,533 shares (see Note)		
Common; authorized, 7,500,000 shares; outstanding (less 12,810 shares in treasury), 5,456,117 shares		
Long-Term Debt:		
Lancaster County Railway and Light Company, Fifty-Year Five Per Cent. Collateral Trust Mortgage Gold Bonds, due July 1, 1951 (less $670,000 principal amount reacquired, of which $669,500 are pledged under this issue)		330,000.00
Current Liabilities:		
Accounts Payable:		
Associate Companies	$ 2,124.61	
Others	40,486.15	
Accrued Interest	9,891.39	
Preferred Dividend Declared, Payable August 1, 1942	329,299.50	
Accrued Taxes	194,107.17	
Liquidation Account—Tennessee Public Service Company	326,530.54	
Long-Term Debt Called for Redemption, Including Premium and Interest (Cash in Special Deposits)	289,771.80	
Total Current Liabilities		1,192,211.16
Deferred Credits		500.00
Reserve for Retiring Minority Interest in Subsidiary Liquidated		5,000.00
Reserve (appropriated from Capital Surplus)		281,378.26
Earned Surplus (all restricted as to common dividends, and $5,249,523.20 restricted as to preferred dividends)		7,306,215.07
Total		$129,062,891.56

Note:

Including 6,865 shares of $6 preferred stock (stamped), not eligible for exchange, representing 10% of $6 preferred stock presented for exchange for common stock of Houston Lighting & Power Company pursuant to Exchange Offer dated January 30, 1942.

The accompanying Notes To Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended June 30		Twelve Months Ended June 30	
	1942	1941	1942	1941
INCOME:				
From Subsidiaries—Consolidated	$ 453,284	$1,635,011	$2,801,733	$6,733,352
Other	8,183	31,154	53,011	120,247
TOTAL INCOME	$ 461,467	$1,666,165	$2,854,744	$6,853,599
EXPENSES:				
Expenses, excluding Taxes	$ 91,202	$ 104,866	$ 382,404	$ 380,262
Federal Taxes	49,272	31,405	195,690	215,286
Other Taxes	7,599	7,400	29,565	30,764
TOTAL EXPENSES	$ 148,073	$ 143,671	$ 607,659	$ 626,312
NET OPERATING INCOME	$ 313,394	$1,522,494	$2,247,085	$6,227,287
INTEREST AND OTHER DEDUCTIONS FROM INCOME	4,528	185,034	123,221	951,844
NET INCOME	$ 308,866	$1,337,460	$2,123,864	$5,275,443

Summary of Earned Surplus

For the Twelve Months Ended June 30, 1942

EARNED SURPLUS, JULY 1, 1941 (including $2,877,189.68 restricted as to dividends)		$ 4,576,974.22
ADD:		
Net income for the twelve months ended June 30, 1942		2,123,863.31
Excess of amount in capital stock account, representing 60,183 shares of $6 preferred stock reacquired, over cost of 120,366 shares of Houston Lighting & Power Company common stock delivered in exchange therefor (less expenses applicable thereto, $158,385.74)		3,323,167.12
Profit from sale of investment		648,701.03
Miscellaneous adjustments		66.70
TOTAL		$10,672,772.38
DEDUCT:		
Call premiums and adjustment of amortization of debt discount and expense on redemption of long-term debt		$ 841,664.01
Additional loss from liquidation of Memphis Power & Light Company		12,892.22
Loss on subsidiary in process of liquidation		96,245.39
Adjustment of prior year Federal capital stock tax		45,500.00
Miscellaneous adjustments		31.98
Dividend appropriations:		
$6 Preferred Stock	$1,551,806.16	
Common Stock	818,417.55	2,370,223.71
TOTAL		$ 3,366,557.31
EARNED SURPLUS, JUNE 30, 1942 (all restricted as to common dividends, and $5,249,523.20 restricted as to preferred dividends)		$ 7,306,215.07

The accompanying Notes To Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Notes to Financial Statements

1. Investment securities and advances are stated on the basis of Company's valuations of securities acquired for securities issued and on the basis of cash costs, less net proceeds received and other credits arising through disposal of investments included in group valuations. Losses or gains arising through the disposal of bonds and other investments included in group valuations—undeterminable in the absence of individual valuations—are included in ledger value.

2. Investment securities and advances include $415,000 principal amount of county and municipal securities, which are pledged under Lancaster County Railway and Light Company collateral trust mortgage gold bonds.

3. In proceedings pending before the Federal Power Commission, Carolina Power & Light Company, a subsidiary of National Power & Light Company, has under consideration a reduction of approximately $18,600,000 in its plant account which if made, will affect surplus, capital and other accounts of that company. Pending final disposition of this matter, the effect upon the accounts of National Power & Light Company has not been determined.

4. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that the Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the above Comparative Statement of Income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Order of the Commission, as follows:

	Three Months Ended June 30		Twelve Months Ended June 30	
	1942	1941	1942	1941
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	$ 99,999.92	$ 549,999.56	$ 599,999.52
Pennsylvania Power & Light Company	$ 46,976.88	1,033,491.25	366,419.63	4,133,965.00
Total	$ 46,976.88	$1,133,491.17	$ 916,419.19	$4,733,964.52

5. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan is subject to amendment and has not as yet been approved or disapproved by the Commission.

In accordance with the tentative plan and with the approval of stockholders voted at a special meeting held January 28, 1942, the common stock of Houston Lighting & Power Company, owned by National Power & Light Company, is being offered in exchange for the Company's $6 Preferred stock in the ratio of two shares for one to the extent of 90% of the $6 Preferred stock presented for such exchange. For each share of the preferred stock exchanged for two shares of the common stock, the capital stock account is reduced by the amount of $97.89 (the average estimated amount included in the capital stock account of National Power & Light Company in respect of each share of $6 Preferred stock), the Company's investment account is reduced $40.05 and its earned surplus account is increased by $57.84. The resulting increase in earned surplus is restricted as to common and preferred dividends pursuant to order of the Securities and Exchange Commission. At June 30, 1942, 60,183 shares of National Power & Light Company $6 Preferred stock had been accepted for exchange for 120,366 shares of Houston Lighting & Power Company common stock, with resulting reductions in investment account of $2,409,954.74 and in capital stock account of $5,891,507.60 and an addition to earned surplus of $3,323,167.12, after application thereto of expenses of $158,385.74.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended June 30		Twelve Months Ended June 30	
	1942	1941	1942	1941
Subsidiaries				
Operating Revenues	$21,948,821	$20,308,680	$88,644,046	$81,480,404
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,254,911	$10,035,798	$43,072,784	$38,920,698
Direct Taxes:				
Federal	3,829,250	1,864,152	12,465,432	5,765,179
Other	1,440,040	1,398,839	5,477,464	5,250,758
Property Retirement Reserve Appropriations	1,624,885	1,352,572	6,721,938	6,348,772
Total Operating Revenue Deductions	$17,149,086	$14,651,361	$67,737,618	$56,285,407
Net Operating Revenues	$ 4,799,735	$ 5,657,319	$20,906,428	$25,194,997
Rent from Lease of Plants (Net)	3,708	815	13,175	5,388
Operating Income	$ 4,803,443	$ 5,658,134	$20,919,603	$25,200,385
Other Income	$ 29,652	$ 33,927	$ 122,047	$ 130,799
Other Income Deductions	9,885	12,216	51,339	58,879
Other Income (Net)	$ 19,767	$ 21,711	$ 70,708	$ 71,920
Gross Income	$ 4,823,210	$ 5,679,845	$20,990,311	$25,272,305
Interest to Public and Other Deductions	$ 2,389,140	$ 2,392,073	$ 9,543,460	$ 9,670,058
Less Interest charged to Construction	59,642	35,364	138,098	97,385
Net Interest to Public and Other Deductions	$ 2,329,498	$ 2,356,709	$ 9,405,362	$ 9,572,673
Balance	$ 2,493,712	$ 3,323,136	$11,584,949	$15,699,632
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,405,802	1,405,802	5,623,206	5,623,206
Balance	$ 1,087,910	$ 1,917,334	$ 5,961,743	$10,076,426
Portion applicable to Minority Interests	102,361	19	204,268	94
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 985,549	$ 1,917,315	$ 5,757,475	$10,076,332
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 985,549	$ 1,917,315	$ 5,757,475	$10,076,332
Other Income	8,183	31,154	53,011	120,247
Total	$ 993,732	$ 1,948,469	$ 5,810,486	$10,196,579
Expenses, excluding Taxes	$ 91,202	$ 104,866	$ 382,404	$ 380,262
Federal Taxes	49,272	31,405	195,690	215,286
Other Taxes	7,599	7,400	29,565	30,764
Total Expenses including Taxes	$ 148,073	$ 143,671	$ 607,659	$ 626,312
Balance before Interest and Other Deductions	$ 845,659	$ 1,804,798	$ 5,202,827	$ 9,570,267
Interest and Other Deductions	4,528	185,034	123,221	951,844
Balance Carried to Consolidated Earned Surplus	$ 841,131	$ 1,619,764	$ 5,079,606	$ 8,618,423

The Notes on page 7 are integral parts of the above statement and should be considered in conjunction therewith.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only for the Month of June 1942 and 1941

	1942	1941
Operating Revenues	$7,369,014	$6,927,917
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,442,429	$3,459,583
Direct Taxes:		
Federal	1,307,545	631,609
Other	478,583	468,943
Property Retirement Reserve Appropriations	543,527	483,435
Total Operating Revenue Deductions	$5,772,084	$5,043,570
Net Operating Revenues	$1,596,930	$1,884,347

Notes Relating to Consolidated Income

Provisions for Federal taxes for the three months and twelve months ended June 30, 1942 include approximately $876,000 and $1,754,000 applicable to the three months and twelve months, respectively, ended June 30, 1942, additional to the amounts required under the Revenue Act of 1941.

The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by subsidiaries in 1939 and 1940. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the respective periods) additional provision of approximately $1,825,000 and $566,000 for taxes based upon income would have been required for the years 1941 and 1942, respectively.

The "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

Accountants' Certificate

National Power & Light Company,
2 Rector Street,
New York.

We have examined the balance sheet of National Power & Light Company as of June 30, 1942 and the related statement of income for the three-month and twelve-month periods ended June 30, 1942 and 1941 and summary of earned surplus for the twelve months ended June 30, 1942; have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. We have previously made similar examinations of accounting records since January 1, 1924.

In our opinion, the accompanying balance sheet and related statement of income and summary of earned surplus of National Power & Light Company, with the notes to financial statements, fairly present the financial condition of the Company as of June 30, 1942 and the results of its operations for the periods shown by the respective statements, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

We have compared the figures used in the preparation of the accompanying statements of consolidated income of National Power & Light Company and subsidiaries for the three-month and twelve-month periods ended June 30, 1942 and 1941 and consolidated operating income of subsidiaries for the month of June 1942 and 1941 with the records of the parent company and with reports of the subsidiaries, and have observed that the figures have been properly compiled. While we have not examined the accounting records of the subsidiaries for the six months ended June 30, 1942, we have made annual examinations of all subsidiaries, with minor exceptions, for the years 1932 to 1941, inclusive.

The consolidated statements reflect appropriations made for retirement of plant property rather than provision for amortization of fixed capital over an estimated duration of the properties. Losses or gains arising through disposal of assets included in group valuations—undeterminable in the absence of individual valuations—are included in the companies' ledger value of assets.

In our opinion, based upon our examination as outlined in the foregoing and subject to the adequacy of the companies' property retirement reserve appropriations, as to which we are not in a position to express an opinion, the accompanying statements of consolidated income, with their footnotes, have been properly prepared to set forth fairly the consolidated results of operations for the periods shown by the respective statements.

Haskins & Sells
Certified Public Accountants

New York,
August 26, 1942.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK

FINANCIAL STATEMENT

May 31, 1942

The information furnished, which is subject to periodic audit, is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended May 31		Twelve Months Ended May 31	
	1942	1941	1942	1941
INCOME:				
From Subsidiaries—Consolidated	$ 617,055	$1,626,664	$2,936,026	$6,733,247
Other	8,386	33,712	53,537	121,798
TOTAL INCOME	$ 625,441	$1,660,376	$2,989,563	$6,855,045
EXPENSES:				
Expenses, excluding Taxes	$ 72,931	$ 104,271	$ 373,149	$ 382,295
Federal Taxes	50,553	38,898	191,506	223,416
Other Taxes	7,614	7,393	29,503	31,181
TOTAL EXPENSES	$ 131,098	$ 150,562	$ 594,158	$ 636,892
NET OPERATING INCOME	$ 494,343	$1,509,814	$2,395,405	$6,218,153
INTEREST AND OTHER DEDUCTIONS FROM INCOME	11,056	240,593	154,076	1,004,015
NET INCOME	$ 483,287	$1,269,221	$2,241,329	$5,214,138

Summary of Earned Surplus

For the Twelve Months Ended May 31, 1942

EARNED SURPLUS, JUNE 1, 1941 (including $2,883,179.86 restricted as to dividends)		$ 4,782,320.55
ADD:		
Net income for the twelve months ended May 31, 1942		2,241,329.11
Excess of estimated amount in capital stock account, representing 55,488 shares of $6 preferred stock reacquired, over cost of 110,976 shares of Houston Lighting & Power Company common stock delivered in exchange therefor (less expenses applicable thereto, $127,176.32)		3,082,773.42
Profit from sale of investment		648,701.03
Miscellaneous adjustments		756.89
TOTAL		$10,755,881.00
DEDUCT:		
Call premiums and adjustment of amortization of debt discount and expense on redemption of debentures		$ 838,594.39
Additional loss from liquidation of Memphis Power & Light Company		12,892.22
Loss on subsidiary in process of liquidation		96,245.39
Adjustment of prior year Federal capital stock tax		45,500.00
Miscellaneous adjustments		9,091.78
Dividend appropriations:		
$6 Preferred Stock	$1,638,472.49	
Common Stock	818,417.55	2,456,890.04
TOTAL		$ 3,459,213.82
EARNED SURPLUS, MAY 31, 1942 (all restricted as to common dividends, and $5,009,129.50 restricted as to preferred dividends)		$ 7,296,667.18

NOTES:

The notes on page 4 are integral parts of the above statements and should be considered in conjunction therewith.

For consolidated income of the Company and its subsidiaries see statement on page 3.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

Subsidiaries	Three Months Ended May 31		Twelve Months Ended May 31	
	1942	1941	1942	1941
Operating Revenues	$21,850,037	$20,181,369	$88,202,949	$80,914,434
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,269,372	$ 9,855,936	$43,089,938	$38,528,220
Direct Taxes:				
Federal	3,731,696	1,750,104	11,789,986	5,236,444
Other	1,439,601	1,420,160	5,467,333	5,163,004
Property Retirement Reserve Appropriations	1,625,291	1,386,168	6,661,847	6,432,414
Total Operating Revenue Deductions	$17,065,960	$14,412,368	$67,009,104	$55,360,082
Net Operating Revenues	$ 4,784,077	$ 5,769,001	$21,193,845	$25,554,352
Rent from Lease of Plants (Net)	3,707	1,054	12,059	5,635
Operating Income	$ 4,787,784	$ 5,770,055	$21,205,904	$25,559,987
Other Income	$ 19,805	$ 24,496	$ 123,169	$ 136,685
Other Income Deductions	9,745	15,810	52,129	58,617
Other Income (Net)	$ 10,060	$ 8,686	$ 71,040	$ 78,068
Gross Income	$ 4,797,844	$ 5,778,741	$21,276,944	$25,638,055
Interest to Public and Other Deductions	$ 2,385,567	$ 2,390,286	$ 9,544,343	$ 9,830,096
Less Interest charged to Construction	55,192	33,564	131,882	83,738
Net Interest to Public and Other Deductions	$ 2,330,375	$ 2,356,722	$ 9,412,461	$ 9,746,358
Balance	$ 2,467,469	$ 3,422,019	$11,864,483	$15,891,697
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,405,802	1,405,802	5,623,206	5,623,206
Balance	$ 1,061,667	$ 2,016,217	$ 6,241,277	$10,268,491
Portion applicable to Minority Interests	71,348	24	169,124	94
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 990,319	$ 2,016,193	$ 6,072,153	$10,268,397
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 990,319	$ 2,016,193	$ 6,072,153	$10,268,397
Other Income	8,386	33,712	53,537	121,798
Total	$ 998,705	$ 2,049,905	$ 6,125,690	$10,390,195
Expenses, excluding Taxes	$ 72,931	$ 104,271	$ 373,149	$ 382,295
Federal Taxes	50,553	38,898	191,506	223,416
Other Taxes	7,614	7,393	29,503	31,181
Total Expenses including Taxes	$ 131,098	$ 150,562	$ 594,158	$ 636,892
Balance before Interest and Other Deductions	$ 867,607	$ 1,899,343	$ 5,531,532	$ 9,753,303
Interest and Other Deductions	11,056	240,593	154,076	1,004,015
Balance Carried to Consolidated Earned Surplus	$ 856,551	$ 1,658,750	$ 5,377,456	$ 8,749,288

The notes on page 4 are integral parts of the above statement and should be considered in conjunction therewith.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of May 1942 and 1941

	1942	1941
Operating Revenues	$7,313,770	$6,711,630
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,495,417	$3,367,655
Direct Taxes:		
Federal	1,218,921	599,028
Other	469,248	451,119
Property Retirement Reserve Appropriations	538,888	403,851
Total Operating Revenue Deductions	$5,722,474	$4,821,653
Net Operating Revenues	$1,591,296	$1,889,977

Notes Relating to Comparative Statement of Consolidated Income on Pages 3 and 4

1. Provisions for Federal taxes for the three months ended May 31, 1942 include approximately $916,400 and for the twelve months ended May 31, 1942 include approximately $1,481,400 applicable to the five months ended May 31, 1942, additional to the amounts required under the Revenue Act of 1941.

2. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by subsidiaries in 1939 and 1940. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the respective periods) additional provision of approximately $2,120,850 and $661,000 for taxes based upon income would have been required for the years 1941 and 1942, respectively.

3. The "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

National Power & Light Company

Notes Relating to Comparative Statement of Income and Summary of Earned Surplus on Page 2

In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that the Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the Comparative Statement of Income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Order of the Commission, as follows:

	Three Months Ended May 31		Twelve Months Ended May 31	
	1942	1941	1942	1941
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	$149,999.88	$ 99,999.92	$ 649,999.48	$ 599,999.52
Pennsylvania Power & Light Company	46,976.88	1,033,491.25	366,419.63	4,133,965.00
Total	$196,976.76	$1,133,491.17	$1,016,419.11	$4,733,964.52

On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan is subject to amendment and has not as yet been approved or disapproved by the Commission.

In accordance with the tentative plan and with the approval of stockholders voted at a special meeting held January 28, 1942, the common stock of Houston Lighting & Power Company, owned by National Power & Light Company, is being offered in exchange for the Company's $6 Preferred stock in the ratio of two shares for one to the extent of 90% of the $6 Preferred stock presented for such exchange. For each share of the preferred stock exchanged for two shares of the common stock, the capital stock account is reduced by the amount of $97.89 (the average estimated amount included in the capital stock account of National Power & Light Company in respect of each share of $6 Preferred stock), the Company's investment account is reduced $40.05 and its earned surplus account is increased by $57.84. The resulting increase in earned surplus is restricted as to common and preferred dividends pursuant to order of the Securities and Exchange Commission. At May 31, 1942, 55,488 shares of National Power & Light Company $6 Preferred stock had been accepted for exchange for 110,976 shares of Houston Lighting & Power Company common stock, with resulting reductions in investment account of $2,221,949.20 and in capital stock account of $5,431,898.94 and an addition to earned surplus of $3,082,773.42, after application thereto of expenses of $127,176.32.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK

FINANCIAL STATEMENT

April 30, 1942

The information furnished, which is subject to periodic audit, is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended April 30		Twelve Months Ended April 30	
	1942	1941	1942	1941
INCOME:				
From Subsidiaries—Consolidated	$ 688,672	$1,626,371	$3,955,323	$6,733,498
Other	8,408	33,237	54,080	121,327
TOTAL INCOME	$ 697,080	$1,659,608	$4,009,403	$6,854,825
EXPENSES:				
Expenses, excluding Taxes	$ 56,345	$ 98,196	$ 369,650	$ 372,631
Federal Taxes	39,918	46,435	180,969	226,939
Other Taxes	7,695	7,381	29,477	31,212
TOTAL EXPENSES	$ 103,958	$ 152,012	$ 580,096	$ 630,782
NET OPERATING INCOME	$ 593,122	$1,507,596	$3,429,307	$6,224,043
INTEREST AND OTHER DEDUCTIONS FROM INCOME	19,658	257,813	220,062	1,020,942
NET INCOME	$ 573,464	$1,249,783	$3,209,245	$5,203,101

Summary of Earned Surplus

For the Twelve Months Ended April 30, 1942

EARNED SURPLUS, MAY 1, 1941 (including $3,720,092.77 restricted as to dividends)		$ 4,540,706.64
ADD:		
Net income for the twelve months ended April 30, 1942		3,209,245.64
Excess of estimated amount in capital stock account, representing 54,024 shares of $6 preferred stock reacquired, over cost of 108,048 shares of Houston Lighting & Power Company common stock delivered in exchange therefor (less expenses applicable thereto, $125,498.11)		2,999,760.05
Profit from sale of investment		648,701.03
Miscellaneous adjustments		407.66
TOTAL		$11,398,821.02
DEDUCT:		
Call premiums and adjustment of amortization of debt discount and expense on redemption of debentures		$ 1,675,506.52
Additional loss from liquidation of Memphis Power & Light Company		12,892.22
Loss on subsidiary in process of liquidation		96,245.39
Adjustment of prior year Federal capital stock tax		45,500.00
Miscellaneous adjustments		764.71
Dividend appropriations:		
$6 Preferred Stock	$1,638,051.35	
Common Stock	818,417.55	2,456,468.90
TOTAL		$ 4,287,377.74
EARNED SURPLUS, APRIL 30, 1942 (all restricted as to common dividends, and $4,934,443.98 restricted as to preferred dividends)		$ 7,111,443.28

NOTES:

The notes on page 4 are integral parts of the above statements and should be considered in conjunction therewith.

For consolidated income of the Company and its subsidiaries see statement on page 3.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

Subsidiaries	Three Months Ended April 30		Twelve Months Ended April 30	
	1942	1941	1942	1941
Operating Revenues	$22,038,113	$20,376,430	$87,600,809	$80,522,964
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,351,031	$ 9,617,442	$42,962,177	$38,206,146
Direct Taxes:				
Federal	3,841,687	1,732,566	11,169,604	4,888,893
Other	1,462,277	1,473,624	5,449,693	5,133,921
Property Retirement Reserve Appropriations	1,628,886	1,497,510	6,526,810	6,587,353
Total Operating Revenue Deductions	$17,283,881	$14,321,142	$66,108,284	$54,816,313
Net Operating Revenues	$ 4,754,232	$ 6,055,288	$21,492,525	$25,706,651
Rent from Lease of Plants (Net)	3,939	1,229	11,390	5,708
Operating Income	$ 4,758,171	$ 6,056,517	$21,503,915	$25,712,359
Other Income	$ 26,398	$ 23,798	$ 124,827	$ 140,564
Other Income Deductions	9,199	21,499	49,070	61,814
Other Income (Net)	$ 17,199	$ 2,299	$ 75,757	$ 78,750
Gross Income	$ 4,775,370	$ 6,058,816	$21,579,672	$25,791,109
Interest to Public and Other Deductions	$ 2,381,593	$ 2,389,522	$ 9,542,572	$ 9,892,855
Less Interest charged to Construction	49,322	27,530	129,234	67,517
Net Interest to Public and Other Deductions	$ 2,332,271	$ 2,361,992	$ 9,413,338	$ 9,825,338
Balance	$ 2,443,099	$ 3,696,824	$12,166,334	$15,965,771
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,405,802	1,405,802	5,623,206	5,623,206
Balance	$ 1,037,297	$ 2,291,022	$ 6,543,128	$10,342,565
Portion applicable to Minority Interests	30,261	20	151,763	96
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,007,036	$ 2,291,002	$ 6,391,365	$10,342,469
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,007,036	$ 2,291,002	$ 6,391,365	$10,342,469
Other Income	8,408	33,237	54,080	121,327
Total	$ 1,015,444	$ 2,324,239	$ 6,445,445	$10,463,796
Expenses, excluding Taxes	$ 56,345	$ 98,196	$ 369,650	$ 372,631
Federal Taxes	39,918	46,435	180,969	226,939
Other Taxes	7,695	7,381	29,477	31,212
Total Expenses including Taxes	$ 103,958	$ 152,012	$ 580,096	$ 630,782
Balance before Interest and Other Deductions	$ 911,486	$ 2,172,227	$ 5,865,349	$ 9,833,014
Interest and Other Deductions	19,658	257,813	220,062	1,020,942
Balance Carried to Consolidated Earned Surplus	$ 891,828	$ 1,914,414	$ 5,645,287	$ 8,812,072

The notes on page 4 are integral parts of the above statement and should be considered in conjunction therewith.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of April 1942 and 1941

	1942	1941
Operating Revenues	$7,266,037	$6,669,133
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,317,066	$3,208,559
Direct Taxes:		
Federal	1,302,784	633,515
Other	492,208	478,778
Property Retirement Reserve Appropriations	542,471	465,286
Total Operating Revenue Deductions	$5,654,529	$4,786,138
Net Operating Revenues	$1,611,508	$1,882,995

Notes Relating to Comparative Statement of Consolidated Income on Pages 3 and 4

1. Provisions for Federal taxes for the three months ended April 30, 1942 include approximately $879,000 and for the twelve months ended April 30, 1942 include approximately $1,192,000 applicable to the four months ended April 30, 1942, additional to the amounts required under the Revenue Act of 1941.

2. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by subsidiaries in 1939 and 1940. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the respective periods) additional provision of approximately $2,115,851 and $756,000 for taxes based upon income would have been required for the years 1941 and 1942, respectively.

3. The "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

National Power & Light Company

Notes Relating to Comparative Statement of Income and Summary of Earned Surplus on Page 2

In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that the Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the Comparative Statement of Income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Order of the Commission, as follows:

	Three Months Ended April 30		Twelve Months Ended April 30	
	1942	1941	1942	1941
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	$149,999.88	$ 99,999.92	$ 649,999.48	$ 599,999.52
Pennsylvania Power & Light Company	93,953.75	1,033,491.25	1,352,934.00	4,133,965.00
Total	$243,953.63	$1,133,491.17	$2,002,933.48	$4,733,964.52

On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan is subject to amendment and has not as yet been approved or disapproved by the Commission.

In accordance with the tentative plan and with the approval of stockholders voted at a special meeting held January 28, 1942, the common stock of Houston Lighting & Power Company, owned by National Power & Light Company, is being offered in exchange for the Company's $6 Preferred stock in the ratio of two shares for one to the extent of 90% of the $6 Preferred stock presented for such exchange. For each share of the preferred stock exchanged for two shares of the common stock, the capital stock account is reduced by the amount of $97.89 (the average estimated amount included in the capital stock account of National Power & Light Company in respect of each share of $6 Preferred stock), the Company's investment account is reduced $40.05 and its earned surplus account is increased by $57.84. The resulting increase in earned surplus is restricted as to common and preferred dividends pursuant to order of the Securites and Exchange Commission. At April 30, 1942, 54.024 shares of National Power & Light Company $6 Preferred stock had been accepted for exchange for 108.048 shares of Houston Lighting & Power Company common stock, with resulting reductions in investment account of $2.163,325.11 and in capital stock account of $5,288,583.27 and an addition to earned surplus of $2,999,760.05, after application thereto of expenses of $125,498.11.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK

FINANCIAL STATEMENT

March 31, 1942

The information furnished is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Two Rector Street, New York

BOARD OF DIRECTORS

C. H. Achenbach	*New York*
J. K. Newman	*Johnsville, Pa.*
Paul H. Saunders	*New Orleans, La.*
P. B. Sawyer	*New York*
Alexander Simpson	*New York*
Raymond H. Smith	*New York*
Robert V. White	*Philadelphia, Pa.*

OFFICERS

P. B. Sawyer	*President*
Raymond H. Smith	*Vice-President*
Alexander Simpson	*Secretary and Treasurer*
C. H. Achenbach	*Assistant Secretary and Assistant Treasurer*

National Power & Light Company

(Incorporated in New Jersey)

Balance Sheet

March 31, 1942

Assets

Investment Securities and Advances—Subsidiaries and Minor Other Investments		$128,394,997.66
Current Assets:		
Cash in Banks—On Demand	$1,076,674.91	
Special Cash Deposits	673,160.81	
Accounts Receivable (including $500.00 from subsidiary)	575.00	
Accrued Interest Receivable	4,817.10	
Dividends Receivable—Subsidiaries	312,109.98	
Other Current Assets	1,500.00	
Total Current Assets		2,068,837.80
Deferred Charges:		
Liquidation Account—Memphis Power & Light Company	$ 61,524.73	
Others	9,875.29	
Total Deferred Charges		71,400.02
Total		$130,535,235.48

Liabilities

Capital Stock (no par value):		
$7 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $6 Preferred; authorized, 9,063 shares; outstanding, none		
$6 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $7 Preferred; authorized, 500,000 shares; outstanding, 244,517 shares (see Note)		$122,393,351.25
Common; authorized, 7,500,000 shares; outstanding (less 12,810 shares in treasury), 5,456,117 shares		
Long-Term Debt:		
Lancaster County Railway and Light Company, Fifty-Year Five Per Cent. Collateral Trust Mortgage Gold Bonds, due July 1, 1951 (less $629,500 principal amount re-acquired and pledged under this issue)		370,500.00
Current Liabilities:		
Accounts Payable:		
Associate Companies	$ 1,981.49	
Others	35,315.23	
Accrued Interest	6,946.25	
Preferred Dividend Declared, Payable May 1, 1942	366,775.50	
Accrued Taxes	167,381.60	
Liquidation Account—Tennessee Public Service Company	325,368.97	
Long-Term Debt Called for Redemption, Including Premium and Interest (Cash in Special Deposits)	644,912.54	
Total Current Liabilities		1,548,681.58
Reserve for Retiring Minority Interest in Subsidiary Liquidated		10,000.00
Reserve (appropriated from Capital Surplus)		281,378.26
Earned Surplus (all restricted as to common dividends, and $3,851,822.37 restricted as to preferred dividends)		5,931,324.39
Total		$130,535,235.48

Note:

Including 4,052 shares of $6 preferred stock (stamped), not eligible for exchange, representing 10% of $6 preferred stock presented for exchange for common stock of Houston Lighting & Power Company pursuant to Exchange Offer dated January 30, 1942.

The accompanying Notes To Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended March 31		Twelve Months Ended March 31	
	1942	1941	1942	1941
INCOME:				
From Subsidiaries—Consolidated	$ 712,107	$1,621,666	$3,983,460	$6,728,943
Other	6,763	9,739	75,983	120,329
TOTAL INCOME	$ 718,870	$1,631,405	$4,059,443	$6,849,272
EXPENSES:				
Expenses, excluding Taxes	$ 55,363	$ 70,911	$ 396,068	$ 349,320
Federal Taxes	40,146	50,973	177,277	226,858
Other Taxes	7,838	7,529	29,913	32,070
TOTAL EXPENSES	$ 103,347	$ 129,413	$ 603,258	$ 608,248
NET OPERATING INCOME	$ 615,523	$1,501,992	$3,456,185	$6,241,024
INTEREST AND OTHER DEDUCTIONS FROM INCOME	28,138	256,886	303,728	1,021,545
NET INCOME	$ 587,385	$1,245,106	$3,152,457	$5,219,479

Summary of Earned Surplus

For the Twelve Months Ended March 31, 1942

EARNED SURPLUS, APRIL 1, 1941 (including $5,154,532.95 restricted as to dividends)		$ 6,754,782.43
ADD:		
Net income for the twelve months ended March 31, 1942		3,152,457.44
Excess of amount in capital stock account, representing 35,199 shares of $6 preferred stock reacquired, over cost of 70,398 shares of Houston Lighting & Power Company common stock delivered in exchange therefor (less expenses applicable thereto, $120,746.65)		1,915,495.80
Profit from sale of investment		648,701.03
Miscellaneous adjustments		328.87
TOTAL		$12,471,765.57
DEDUCT:		
Call premiums and adjustment of amortization of debt discount and expense on redemption of debentures		$ 3,109,014.06
Additional loss from liquidation of Memphis Power & Light Company		12,892.22
Loss on subsidiary in process of liquidation		96,245.39
Adjustment of prior year Federal capital stock tax		45,500.00
Miscellaneous adjustments		54.71
Dividend appropriations:		
$6 Preferred Stock	$1,639,899.70	
Common Stock	1,636,835.10	3,276,734.80
TOTAL		$ 6,540,441.18
EARNED SURPLUS, MARCH 31, 1942 (all restricted as to common dividends, and $3,851,822.37 restricted as to preferred dividends)		$ 5,931,324.39

The accompanying Notes To Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Notes to Financial Statements

1. Investment securities and advances are stated on the basis of Company's valuations of securities acquired for securities issued and on the basis of cash costs, less net proceeds received and other credits arising through disposal of investments included in group valuations. Losses or gains arising through the disposal of bonds and other investments included in group valuations—undeterminable in the absence of individual valuations—are included in ledger value.

2. Investment securities and advances include $465,000 principal amount of county and municipal securities, which are pledged under Lancaster County Railway and Light Company collateral trust mortgage gold bonds.

3. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that the Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the above Comparative Statement of Income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Order of the Commission, as follows:

	Three Months Ended March 31		Twelve Months Ended March 31	
	1942	1941	1942	1941
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	$149,999.88	$ 99,999.92	$ 649,999.48	$ 599,999.52
Pennsylvania Power & Light Company	93,953.75	1,033,491.25	1,352,934.00	4,133,965.00
Total	$243,953.63	$1,133,491.17	$2,302,933.48	$4,733,964.52

4. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company, which is subject to amendment, (amendment thereto filed May 12, 1942) and has not as yet been approved or disapproved by the Commission.

In accordance with the tentative plan and with the approval of stockholders voted at a special meeting held January 28, 1942, the common stock of Houston Lighting & Power Company, owned by National Power & Light Company, is being offered in exchange for the Company's $6 Preferred stock in the ratio of two shares for one to the extent of 90% of the $6 Preferred stock presented for such exchange. For each share of the preferred stock exchanged for two shares of the common stock, the capital stock account is reduced by the amount of $97.89 (the average estimated amount included in the capital stock account of National Power & Light Company in respect of each share of $6 Preferred stock), the Company's investment account is reduced $40.05 and its earned surplus account is increased by $57.84. The resulting increase in earned surplus is restricted as to common and preferred dividends pursuant to order of the Securities and Exchange Commission. At March 31, 1942, 35,199 shares of National Power & Light Company $6 Preferred stock had been accepted for exchange for 70,398 shares of Houston Lighting & Power Company common stock, with resulting reductions in investment account of $1,409,500.97 and in capital stock account of $3,445,743.42 and an addition to earned surplus of $1,915,495.80, after application thereto of expenses of $120,746.65.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended March 31		Twelve Months Ended March 31	
	1942	1941	1942	1941
Subsidiaries				
Operating Revenues	$22,716,049	$20,924,794	$87,003,905	$80,249,255
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,843,689	$ 9,598,804	$42,853,670	$37,993,077
Direct Taxes:				
Federal	3,911,781	1,745,334	10,500,335	4,534,061
Other	1,458,026	1,495,932	5,436,262	5,105,668
Property Retirement Reserve Appropriations	1,628,593	1,608,013	6,449,625	6,651,543
Total Operating Revenue Deductions	$17,842,089	$14,448,083	$65,239,892	$54,284,349
Net Operating Revenues	$ 4,873,960	$ 6,476,711	$21,764,013	$25,964,906
Rent from Lease of Plants (Net)	3,068	1,425	10,283	6,083
Operating Income	$ 4,877,028	$ 6,478,136	$21,774,296	$25,970,989
Other Income	$ 29,724	$ 26,209	$ 126,325	$ 143,410
Other Income Deductions	10,128	22,231	53,675	57,385
Other Income (Net)	$ 19,596	$ 3,978	$ 72,650	$ 86,025
Gross Income	$ 4,896,624	$ 6,482,114	$21,846,946	$26,057,014
Interest to Public and Other Deductions	$ 2,382,131	$ 2,390,120	$ 9,546,395	$ 9,955,370
Less Interest charged to Construction	41,549	36,796	113,821	67,815
Net Interest to Public and Other Deductions	$ 2,340,582	$ 2,353,324	$ 9,432,574	$ 9,887,555
Balance	$ 2,556,042	$ 4,128,790	$12,414,372	$16,169,459
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,405,802	1,405,802	5,623,206	5,623,206
Balance	$ 1,150,240	$ 2,722,988	$ 6,791,166	$10,546,253
Portion applicable to Minority Interests	28,626	27	109,391	99
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,121,614	$ 2,722,961	$ 6,681,775	$10,546,154
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,121,614	$ 2,722,961	$ 6,681,775	$10,546,154
Other Income	6,763	9,739	75,983	120,329
Total	$ 1,128,377	$ 2,732,700	$ 6,757,758	$10,666,483
Expenses, excluding Taxes	$ 55,363	$ 70,911	$ 396,068	$ 349,320
Federal Taxes	40,146	50,973	177,277	226,858
Other Taxes	7,838	7,529	29,913	32,070
Total Expenses including Taxes	$ 103,347	$ 129,413	$ 603,258	$ 608,248
Balance before Interest and Other Deductions	$ 1,025,030	$ 2,603,287	$ 6,154,500	$10,058,235
Interest and Other Deductions	28,138	256,886	303,728	1,021,545
Balance Carried to Consolidated Earned Surplus	$ 996,892	$ 2,346,401	$ 5,850,772	$ 9,036,690

The Notes on page 7 are integral parts of the above statement and should be considered in conjunction therewith

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of March 1942 and 1941

	1942	1941
Operating Revenues	$7,270,229	$6,800,606
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,456,888	$3,279,721
Direct Taxes:		
Federal	1,209,990	517,561
Other	478,146	490,263
Property Retirement Reserve Appropriations	543,932	517,032
Total Operating Revenue Deductions	$5,688,956	$4,804,577
Net Operating Revenues	$1,581,273	$1,996,029

Notes Relating to Consolidated Income

Provisions for Federal taxes for the three months and twelve months ended March 31, 1942 include approximately $879,000 applicable to the three months ended March 31, 1942, additional to the amounts required under the Revenue Act of 1941.

The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by subsidiaries in 1939 and 1940. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the respective periods) additional provision of approximately $2,111,000 and $851,000 for taxes based upon income would have been required for the years 1941 and 1942, respectively.

The "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

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HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

Accountants' Certificate

National Power & Light Company,
2 Rector Street,
New York.

We have examined the balance sheet of National Power & Light Company as of March 31, 1942 and the related statement of income for the three-month and twelve-month periods ended March 31, 1942 and 1941 and summary of earned surplus for the twelve months ended March 31, 1942; have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. We have previously made similar examinations of accounting records since January 1, 1924.

In our opinion, the accompanying balance sheet and related statement of income and summary of earned surplus of National Power & Light Company, with the notes to financial statements, fairly present the financial condition of the Company as of March 31, 1942 and the results of its operations for the periods shown by the respective statements, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

We have compared the figures used in the preparation of the accompanying statements of consolidated income of National Power & Light Company and subsidiaries for the three-month and twelve-month periods ended March 31, 1942 and 1941 and consolidated operating income of subsidiaries for the month of March 1942 and 1941 with the records of the parent company and with reports of the subsidiaries, and have observed that the figures have been properly compiled. While we have not examined the accounting records of the subsidiaries for the three months ended March 31, 1942, we have made annual examinations of all subsidiaries, with minor exceptions, for the years 1932 to 1941, inclusive.

The consolidated statements reflect appropriations made for retirement of plant property rather than provision for amortization of fixed capital over an estimated duration of the properties. Losses or gains arising through disposal of assets included in group valuations—undeterminable in the absence of individual valuations—are included in the companies' ledger value of assets.

In our opinion, based upon our examination as outlined in the foregoing and subject to the adequacy of the companies' property retirement reserve appropriations, as to which we are not in a position to express an opinion, the accompanying statements of consolidated income, with their footnotes, have been properly prepared to set forth fairly the consolidated results of operations for the periods shown by the respective statements.

Haskins & Sells
Certified Public Accountants

New York,
May 25, 1942.

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